

ONE HUNDRED THIRTEENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE

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July 15, 2014

Mr. John Roth
Office of the Inspector General
Department of Homeland Security
245 Murray Lane SW
Washington, DC 20528-0305

Dear Mr. Roth:

The McClatchy newspapers recently published a series of articles that questioned Motorola's business tactics in the sale of telecommunications equipment to public safety officials. According to McClatchy, "government officials have handed [Motorola] noncompetitive contracts, used modifications of years-old contracts to acquire new systems, or crafted bid specifications to Motorola's advantage."¹ The McClatchy articles found that many of these practices involve public safety activities that are funded through the Department of Homeland Security (DHS). We are writing to ask that you investigate these allegations.

On March 30 and 31, 2014, the McClatchy newspapers published a series of seven articles raising serious allegations about Motorola's business practices in the public safety equipment market. One article focuses on the Kansas Department of Transportation's \$50 million award to Motorola to build a new statewide emergency radio network that was crafted as an amendment to an existing contract.² Despite state laws that require competitive bidding on all major projects, the article notes that Kansas officials have extended or modified a 1991 contract with Motorola at least a dozen times without competitive bidding. Due in part to this noncompetitive contract, the state has spent over \$4,000 apiece on many of its Motorola radios, despite radios with the same functionality reportedly being available for significantly less money. The article also reported that Kansas purchased proprietary encryption technology from Motorola that is unable to work with other manufacturers' equipment.

¹ McClatchy DC, *How One Timely Purchase of Hardware Bent a Radio Contract Motorola's Way* (March 31, 2014).

² McClatchy DC, *Kansas Gives Motorola \$50 Million Contract, Based on Bids From 1991* (March 30, 2014).

Similar allegations were raised in another McClatchy article, which found that Motorola received a noncompetitive, \$23 million contract with Chicago by persuading the city to award the contract to Motorola to protect the city's previous \$2 million investment in proprietary Motorola equipment.³ The same article also describes Motorola winning a contract with Dallas to build a new digital network that has since been snarled in controversy "over the way [Motorola] has met city requirements for use of minority subcontractors, because most of the money flowed back to Motorola." The article also notes that some jurisdictions have paid as much as \$7,500 apiece for Motorola radios, while Motorola's competitors reportedly offer similar products for a fraction of that price.

An additional article focused on Motorola's contracts with Mississippi to build two communications networks for first responders.⁴ According to the article, one of Motorola's bids was supposedly \$90 million below that of a rival company. Motorola won the bid but then built a network that is incomplete or inoperable due to cost concerns. The article notes that Motorola also won a \$148 million contract to build a new system in California's Riverside County, but that the project has been delayed for more than four years and the cost has risen to \$172 million. The article suggests that Motorola may have a history of submitting a low bid to win a contract and then significantly raising its price by requesting contract modifications after the contract has been executed.

Finally, a McClatchy article highlights Alameda County's 2005 purchase of a Motorola master controller, or network switch, which contained proprietary features that prevented interoperability with non-Motorola equipment.⁵ In 2007, the East Bay Regional Communications System Authority (EBRCSA) was formed to allow first responders in all jurisdictions in Alameda and Contra Costa counties to be able to communicate with one another when responding to major disasters or terrorist attacks. However, leadership at the EBRCSA insisted that all participating jurisdictions purchase expensive Motorola equipment to ensure that their equipment works with Alameda County's master controller. As a result, some jurisdictions, including Oakland, refused to join. McClatchy notes that Oakland "found itself squeezed out of millions of dollars in desperately needed federal grant money after it refused to join." It appears that the EBRCSA has received a number of Urban Area Security Initiative (UASI) grants.⁶

³ McClatchy DC, *With Friends in Government, Motorola Beats a Path to Telecom Supremacy* (March 30, 2014).

⁴ McClatchy DC, *After Motorola Parlays Katrina's Devastation into Telecom Riches, New Mississippi System Lies Fallow* (March 30, 2014).

⁵ McClatchy DC, *How One Timely Purchase of Hardware Bent a Radio Contract Motorola's Way* (March 31, 2014).


⁶ East Bay Regional Communications System Authority, *Funding/Grants* (online at www.ebrcsa.org/funding_and_grants.aspx).

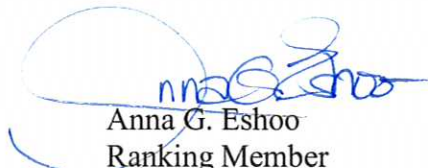
We are concerned that the state and local jurisdictions discussed in the McClatchy articles, as well as many other jurisdictions, may have squandered federal grants, provided in part by DHS, as a result of questionable practices by Motorola. If the allegations in the McClatchy articles are true, millions of federal tax dollars may have been wasted, and millions more are at risk. We therefore ask that you initiate an investigation to determine whether the abuses described in the McClatchy articles occurred and if so, whether DHS grants were involved. If DHS grants were involved, we ask that you please propose changes to prevent a recurrence of these abuses. In particular, we ask that you please provide the following information:

- A list of all the DHS grants to state and local agencies that have selected Motorola as their vendor for public safety equipment and devices. Please also indicate whether these jurisdictions followed a competitive bidding process in their vendor selection.
- An assessment whether DHS has provided interoperability grants to jurisdictions that have then used those funds to pay for post-contract change orders from Motorola. Please also detail the scope and cost of any post-contract changes.
- An assessment whether DHS has issued grant guidance that prevents the use of proprietary features in public safety communications equipment, such as encryption standards.
- An assessment whether EBRCSA has been able to receive DHS interoperability grants while at the same time insisting that all of its participating agencies purchase Motorola equipment.

Thank you for considering our request.

Sincerely,


Henry A. Waxman
Ranking Member


Anna G. Eshoo
Ranking Member
Subcommittee on
Communications and
Technology


Diana DeGette
Ranking Member
Subcommittee on Oversight
and Investigations